

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 EA-10 EUR-12 NEA-11 OIC-02
/169 W

-----075260 121013Z /17

R 112030Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7481
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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PASS STR ELECTRONICALLY

USMTN

E.O. 11652: N/A
TAGS: MTN, ETRD, BR
SUBJECT: AMBASSADOR WOLFF'S CALL ON PLANNING MINISTER
(MAY 9)

1. SUMMARY. AMB WOLFF PAID A CALL, ON MAY 9TH, ON REIS VELLOSO, THE BRAZILIAN PLANNING MINISTER, AT THE PLANALTO PALACE (EXECUTIVE OFFICE BUILDING). ON THIS OCCASION AMB WOLFF PROVIDED AN OVERVIEW OF THE STATUS OF THE MTN NEGOTIATIONS AND DESCRIBED THE U.S. POSITION ON OUTSTANDING ISSUES, PARTICULARLY AS THEY RELATE TO LDC'S. RIS VELLOSO SHOWED THE MOST INTEREST IN: THE TREATMENT OF DIRECT AND INDIRECT TAXES AND THE INJURY CLAUSE IN THE SUBSIDY CODE NEGOTIATION, THE PERIOD OF ADJUSTMENT TO PHASE
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OUT IMPERMISSIBLE SUBSIDIES, THE CODE ON GOVERNMENT PROCUREMENT, AND THE TIMETABLE FOR COMPLETION OF A POLITICAL AGREEMENT ON MTN ISSUES. END SUMMARY.

2. AMB. WOLFF (DEPUTY STR), ACCOMPANIED BY CHARGE AND ECONOMIC COUNSELOR, PAID A CALL ON MAY 9 ON RIS VELLOSO (BRAZILIAN PLANNING MINISTER). JOSE BOTAFOGO

GONCALVES (FONMIN CHIEF OF TRADE POLICY DIVISION) WAS ALSO PRESENT. ON THE OCCASION, WOLFF PROVIDED AN OVERVIEW OF THE CURRENT STATUS OF THE MTN NEGOTIATIONS IN GENEVA AND PRESENTED US IDEAS ON OUTSTANDING ISSUES. HE STRESSED THAT ON THE BASIS OF ITS PRESENT PROPOSAL, BRAZIL COULD NOT MEET ANY OF THE REQUESTS IN THE US LIST.

3. REIS VELLOSO SHOWED THE GREATEST INTEREST IN THE TREATMENT OF DIRECT AND INDIRECT TAXES AND THE INJURY CLAUSE IN THE SUBSIDY CODE NEGOTIATION, THE PERIOD OF ADJUSTMENT TO PHASE OUT IMPERMISSIBLE SUBSIDIES, THE CODE ON GOVERNMENT PROCUREMENT, AND TIMETABLE FOR COMPLETION OF A POLITICAL AGREEMENT ON MTN ISSUES.

4. BOTAFOGO EXPRESSED HIS CONCERN THAT THERE WOULD BE A GAP BETWEEN THE EXPIRATION OF US EXECUTIVE AUTHORITY TO WAIVE COUNTERVAILING DUTY ACTIONS AND THE ENTRANCE INTO EFFECT OF ANY AGREED CODE ON SUBSIDIES OBTAINED IN CURRENT MTN DISCUSSIONS. AMBASSADOR WOLFF CONCEDED THAT PERHAPS, IF THERE WERE AN AGREEMENT ON A SUBSIDY CODE, THE EXECUTIVE BRANCH COULD PERSUADE CONGRESS TO EXTEND EXECUTIV AUTHORITY ON WAIVERS UNTIL THE CODE WAS ENACTED. AMBASSADOR WOLFF ENDED HIS PRESENTATION BY ARGUING THAT MTN PROVIDES AN LIMITED OFFICIAL USE

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OPPORTUNITY FOR NATIONS TO TAKE ECONOMICALLY SOUND BUT POLITICALLY DIFFICULT DECISIONS BECAUSE IT ENABLES THE GOVERNMENT TO POINT TO CONCRETE ADVANTAGES IN EXCHANGE FOR REDUCTIONS IN DOMESTIC RESTRICTIONS. REIS VELLOSO AGREED WITH THIS BASIC PREMISE, BUT COMMENTED THAT THE GLOBAL PACKAGE WOULD HAVE TO BE ATTRACTIVE ENOUGH TO POLITICALLY JUSTIFY SIGNIFICANT BRAZILIAN CONCESSIONS.

5. VELLOSO ENDED THE CONVERSATION BY APPEARING TO EXPRESS HIS ASSENT THAT DISCUSSIONS BETWEEN THE US AND BRAZIL SHOULD PROCEED WITH RESPECT TO FINDING A COMPROMISE ON REQUEST AND OFFER LISTS AND THE NEGOTIATIONS FOR A MULTILATERAL EXPORT SUBSIDY CODE.

6. COMMENT - AMB WOLFF'S PRESENTATION ON PROGRESS IN THE MTN TO MINISTER VELLOSO, WHO IS A CHIEF ECONOMIC ADVISOR TO GEISEL AND ARCHITECT OF BRAZILIAN DEVELOPMENT AND IMPORT SUBSTITUTION PROJECTS, PROVED A USEFUL BRIEFING TO THE PLANNING MINISTER. ALTHOUGH INTERNATIONAL ECONOMIC NEGOTIATIONS ARE OUTSIDE THE DIRECT RESPONSIBILITIES OF THE PLANNING MINISTRY, VELLOSO APPEARED VISIBLY CONCERNED OVER PORTIONS OF THE PRE-

SENTATION.
JOHNSON

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Message Attributes

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Draft Date: 11 may 1978
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TAGS: ETRD, BR, US, MTN, (WOLFF, ALAN), (VELLOSO, REIS)
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